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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)
[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d), OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 0-12589

PRESTON CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation)

52-1283669
(I.R.S. Employer Identification No.)

151 Easton Boulevard, Preston, Maryland 21655
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 1-410-673-7151

Former name, former address and former fiscal year, if changed since last report.

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of The Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _____ No _____.

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: June 30, 1992 - 5,758,701.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Preston Corporation
Consolidated Balance Sheets
As of June 30, 1992 and December 31, 1991

	(In Thousands Except Share Amounts) June 30, 1992 (Unaudited)	December 31, 1991
Assets		
Current assets:		
Cash and cash equivalents	$1,827	$5,838
Customer receivables, less allowances of $2,116 and $3,477	57,736	54,640
Other receivables, less allowances of $236 and $210	3,394	3,790
Refundable income taxes	3,597	2,630
Tires on equipment in service	7,321	7,732
Fuel and operating supplies	5,955	4,854
Prepaid expenses	5,504	4,563
Assets held for sale	695	6,610
Total current assets	86,029	90,657
Property, plant and equipment:		
Land	29,485	29,380
Structures and improvements	86,791	84,036
Revenue equipment	184,225	179,257
Other equipment	27,434	26,442
Construction in progress	5,218	2,835
	333,153	321,950
Less accumulated depreciation and amortization	162,174	153,769
Total property, plant and equipment	170,979	168,181
Other assets:		
Goodwill, less accumulated amortization of $3,423 and $2,519	20,695	20,997
Other	11,812	12,225
Total other assets	32,507	33,222
	$289,515	$292,060

The accompanying notes are an integral part of these consolidated financial statements.

	(In Thousands Except Share Amounts) June 30, 1992 (Unaudited)	December 31, 1991
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$15,831	$15,632
Accounts payable	18,721	21,057
Wages, salaries and vacation pay	17,194	13,826
Benefit plans and other incentives	729	600
Claims and insurance reserves	25,292	19,377
Accrual for closing of subsidiaries	1,099	2,514
Other current and accrued liabilities	4,117	4,671
Federal and state income taxes:		
Deferred	783	783
Total current liabilities	83,766	78,460
Long-term debt	107,322	112,620
Deferred income taxes	9,484	10,198
Claims and insurance reserves	6,032	5,060
Other deferred credits	1,632	1,493
Stockholders' equity:		
Common stock, par value $1 per share, 10,000,000 shares authorized, 5,758,701 issued and outstanding	5,759	5,759
Paid-in capital	17,792	17,792
Retained earnings	57,728	60,678
Total stockholders' equity	81,279	84,229
	$289,515	$292,060

Preston Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)
(In Thousands Except Share Amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1992	1991	1992	1991
Operating revenues	$142,641	$144,663	$281,960	$280,329
Operating expenses:				
Salaries, wages and fringes	92,392	90,351	180,606	175,417
Fuel and fuel taxes	8,135	7,840	16,131	16,714
Tires, parts and other operations	10,957	10,060	21,028	20,063
Operating taxes and licenses	2,137	1,905	4,175	3,904
Sales and marketing	1,354	1,518	2,722	3,017
Claims and insurance	3,392	3,299	6,590	6,962
Communications and utilities	2,156	2,037	4,495	4,121
Depreciation and amortization	4,898	5,560	9,976	11,124
Purchased transportation	11,290	11,547	22,427	22,431
Building and office equipment rents	1,597	1,653	3,034	3,242
Other operating expenses	2,502	2,842	5,382	5,735
Provision for closing of subsidiaries	3,349		3,349	
Total operating expenses	144,159	138,612	279,915	272,730
Income (loss) from operations	(1,518)	6,051	2,045	7,599
Other income (expense):				
Interest expense	(2,591)	(2,567)	(5,277)	(5,368)
Interest income	130	(23)	174	97
Amortization of goodwill	(150)	(150)	(301)	(301)
Other	(244)	(38)	(432)	24
Total other expense	(2,855)	(2,778)	(5,836)	(5,548)
Income (loss) before income taxes and cumulative effect of change in accounting principle	(4,373)	3,273	(3,791)	2,051
Provision (benefit) for income taxes	(1,956)	1,388	(1,678)	899
Income (loss) before cumulative effect of change in accounting principle	(2,417)	1,885	(2,113)	1,152
Cumulative effect of change in accounting principle			(837)	
Net income (loss)	(2,417)	1,885	(2,950)	1,152
Weighted average shares outstanding:	5,758,701	5,758,701	5,758,701	5,758,701
Income (loss) per share before cumulative effect of change in accounting principle	$(0.42)	$0.33	$(0.37)	$0.20
Per share cumulative effect of change in accounting principle	$0.00	$0.00	$(0.14)	$0.00
Net income (loss) per share	$(0.42)	$0.33	$(0.51)	$0.20
Dividends per share	$0.00	$0.03	$0.00	$0.03

The accompanying notes are an integral part of these consolidated financial statements.

Preston Corporation
Consolidated Statements of Cash Flows
For the six months ended June 30, 1992 and 1991

(Unaudited)	1992	1991
	(In Thousands)	
OPERATING ACTIVITIES		
Net income (loss)	($2,950)	$1,152
Adjustments:		
Depreciation and amortization	10,737	11,563
Deferred income taxes	(714)	(21)
Loss on sale of equipment	250	(206)
Other	104	68
Changes in operating assets and liabilities:		
Accounts receivable	(3,666)	4,833
Prepaid expenses	(530)	(230)
Fuel and operating supplies	(1,101)	646
Accounts payable and other current liabilities	1,166	949
Wages, salaries, and vacation pay	3,368	2,465
Benefit plans and other incentives	129	339
Claims and insurance reserves	2,831	(2,675)
Accrual for closing of subsidiaries	(1,414)	(624)
Current federal and state income taxes		234
Other, net	(320)	(788)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,890	17,705
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,879)	(14,874)
Purchase of software	(134)	(172)
Proceeds from sale of equipment	1,060	4,146
Other assets	13	(14)
NET CASH USED IN INVESTING ACTIVITIES	(4,940)	(10,914)
FINANCING ACTIVITIES		
Proceeds from revolving lines of credit, and long-term borrowings	8,000	6,398
Principal payments on revolving lines of credit, long-term debt and capital lease obligations	(14,902)	(10,865)
Financing fees on long-term debt	(59)	(34)
Dividends paid		(1,440)
NET CASH USED IN FINANCING ACTIVITIES	(6,961)	(5,941)
(Decrease) increase in cash and cash equivalents	(4,011)	850
Cash and cash equivalents at beginning of year	5,838	16
CASH AND CASH EQUIVALENTS AT JUNE 30	$1,827	$866

Preston Corporation
Notes to Consolidated Financial Statements
June 30, 1992

Note 1 - Basis of Presentation:

In the opinion of management, the accompanying consolidated financial statements contain all adjustments of a normal recurring nature necessary to present fairly the consolidated financial position as of June 30, 1992 and December 31, 1991; as well as the consolidated results of operations for the six months ended June 30, 1992 and 1991, and the consolidated cash flows for the six months ended June 30, 1992 and 1991. Operating results for the six months ended June 30, 1992 are not necessarily indicative of the results that may be expected for 1992. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Preston Corporation's (the "Company") Form 10-K for 1991.

Note 2 - Contingencies:

Claims and insurance accruals reflect the estimated cost to the Company of incurred claims for cargo loss and damage, bodily injury and property damage, workers' compensation, hospitalization and other claims. For bodily injury and property damage claims and general liability claims, the Company has a $1.5 million and a $1 million self-insured retention per claim, respectively. For cargo loss and damage claims in transit, the deductible is $250,000 per claim. The self-insured retention for workers' compensation claims is $250,000 per claim. The Company is self-insured for collision damage to company-owned equipment and hospitalization costs of non-union employees, but maintains "stop-loss" insurance to limit medical costs for any employee to approximately $100,000 per year. The Company's basic life insurance coverage for employees has an annual aggregate stop-loss of approximately $100,000 per year.

The Company is involved in various litigation arising in the normal course of business. In the opinion of management, the ultimate liability, if any, resulting from such litigation will not materially affect the financial position of the Company. The Company's insurance provider for workers' compensation and personal injury coverages has recently indicated that it claims approximately $3.8 million of retrospective premiums for administrative charges relating to these coverages for the years 1986 to 1989. The Company disputes the major portion of these asserted charges and intends to contest them vigorously. It is not possible to determine the amount or potential range of loss with respect to these asserted charges at this time.

Note 3 - Revenue Recognition

In response to a January 1992 consensus by the Financial Accounting Standards Board's Emerging Issues Task Force (Issue No. 91-9), the Company, effective January 1, 1992, changed its method of accounting for freight revenue and related costs to the allocation method whereby revenue is recorded based on relative transit time in each reporting period with expenses recognized as incurred.

The cumulative effect of the change of $837,000 (net of applicable income taxes), was reflected as a decrease to net earnings in the first quarter of 1992. If this change in accounting method had been in effect during 1991, the effects would have been immaterial to the results of operations.

Note 4 - Claims and Insurance Reserves

In the second quarter of 1992, the Company began estimating the amount of insurance claims which are not expected to be paid within one year. These claims are classified as long-term liabilities in the accompanying balance sheets. The 1991 financial statements have been restated to conform with the 1992 presentation.

Note 5 - Closing of Subsidiaries

During the six months ended June 30, 1992, the Company recorded a $3.3 million ($1.9 million, or $0.33 per share, after tax) increase in the accrual for the closing of Pioneer Transportation Systems, Inc. ("Pioneer") and Reeves Transportation Company ("Reeves"). The closedown was originally reported during the third quarter of 1990.

The increase in the accrual is primarily due to an increase in insurance claims reserves and the decision by the Company, effective June 30, 1992, to operate CSI, the carpet cutting and warehouse division of Reeves, on an on-going basis. Previously, this activity had been part of the closedown accrual, pending management's evaluation of the long-term viability of this operation. To reflect the current state of its operations, Reeves changed its name to CSI/Reeves, Inc. Effective June 30, 1992, Reeves operating assets of $4.8 million previously reported as assets held for sale were transferred to property, plant and equipment.

Note 6 - Long-Term Debt

The Senior Notes, as amended and restated on December 12, 1991, between the Company and Allstate Life Insurance Company and Pan-American Life Insurance Company, contain a provision which prohibits the declaration or payment of any dividends, either in cash or property, on any class of the capital stock of the Company, except under certain limited exceptions which do not currently exist.

The Company is currently in compliance with the financial covenants under its various loan facilities. However, assuming operations continue at the same levels as the first six months of 1992, the Company projects that at September 30, 1992 and December 31, 1992 it may be in violation of financial covenants in its long-term debt facilities. The Company is reviewing all of its alternatives for actions which may remedy such violations including taking steps to address the amount of debt in its capital structure.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The operating revenues of the Company were $142.6 million for the quarter and $282.0 million for the six months ended June 30, 1992, versus $144.7 million for the second quarter of 1991 and $280.3 million for the six months ended June 30, 1991.

Less than truckload ("LTL") tonnage increased 2.4 percent, while LTL revenue decreased 1.5 percent for the second quarter of 1992 versus the same period in 1991. Truckload ("TL") tonnage and revenue decreased 0.4 percent and 3.2 percent, respectively for the same periods. For the six months ended June 30, 1992, LTL tonnage and revenue increased 3.8 percent and 1.1 percent, respectively, while TL tonnage was flat and TL revenue decreased 3.0 percent from the same period last year.

Total tonnage for the second quarter and six months ended June 30, 1992 increased 1.5 percent and 2.6 percent, respectively, over the same periods last year. Revenue per ton, however, for the second quarter and six months ended June 30, 1992 decreased 3.2 percent and 2.1 percent respectively, from June 30, 1991.

The Company's operating ratio was 101.1 percent for the second quarter of 1992, compared to 95.8 percent for the same period of 1991, and 99.3 percent for the six months ended June 30, 1992, compared to 97.8 percent for the same period last year. The six months operating loss includes a $3.3 million increase in the provision for the September, 1990 closing of Pioneer and Reeves, which adversely affected the operating ratio for the second quarter and six months ended June 30, 1992, by 2.2 percent and 1.2 percent, respectively. In addition, a 2.7 percent increase in union wages, effective April 1, 1992, and the impact of the terminal consolidation process at Preston Trucking also resulted in a negative impact on the Company's operating ratio for the same periods.

Interest and other expenses increased 2.8 percent and 5.2 percent, respectively, for the second quarter and six months ended June 30, 1992, when compared to the same periods last year. The main factors contributing to this increase are the difference in gains and losses on the sale of operating assets for the two periods, and an increase in the amortization of financing fees and related costs associated with the December, 1991 debt restructuring.

Net loss for the second quarter of 1992 was $2.4 million ($.42 per share), which includes $1.7 million ($.30 per share) after tax for the closing of Pioneer and Reeves, compared to net income of $1.9 million ($.33 per share) for the same period last year. For the six months ended June 30, 1992, net loss was $3.0 million ($.51 per share), which includes $837,000 ($.14 per share) for the first quarter impact of a cumulative change in accounting principle for the Company's method of revenue recognition, and $1.9 million ($.33 per share) after tax for the closing of Pioneer and Reeves versus net income of $1.2 million ($.20 per share) for the same period of 1991.

Liquidity and Capital Resources

Cash provided by operations for the six month period ended June 30, 1992 was $7.9 million, a decrease of $9.8 from the same period last year. Customer accounts receivable increased to $57.7 million at June 30, 1992, from the $54.6 million reported at December 31, 1991. Working capital was $2.3 million at June 30, 1992, compared to $12.2 million at December 31, 1991, as restated in accordance with Note 4. The current ratio was 1.03 to 1 at June 30, 1992 compared to 1.16 to 1 as restated for December 31, 1991. The Company projects a continued decline in its liquidity and is exploring a range of alternatives to address its liquidity problem as well as the reduction of its debt (See Note 6).

Capital expenditures for the six months ended June 30, 1992, were $5.9 million, which includes $1.8 million financed through capital leases compared to $14.9 million for the same period last year. Capital expenditures for the remaining six months of 1992 are expected to be $12.2 million. The Company reduced long-term debt by $5.3 million during the first six months of 1992.

Part II. Other Information

Item 5. Other Information

(a) Election of Chief Financial Officer

On August 6, 1992, the Company ratified the appointment of H. A. (Bert) Trucksess, III to the position of Chief Financial Officer, effective June 4, 1992. Prior to his appointment by the Company, from October 1988 to July 1991, Mr. Trucksess served as Chief Financial Officer of JTL Holding Company. From February 1984 to October 1988, Mr. Trucksess served as the Chief Financial Officer of Sun Carriers, Inc. Mr. Trucksess' experience also includes 15 years with the Sun Company, Inc. where he served as Vice President, Financial Administration of Sunoco Energy Development Co., as Manager of Corporate Insurance and Manager, Federal Reporting and Control.

(b) Financial Alternatives

In light of the operating results for the six months ended June 30, 1992 and the constraints of the Company's various long-term debt facilities (see Note 6 to the Consolidated Financial Statements at June 30, 1992 contained elsewhere in this Report on Form 10-Q), the Company is exploring its strategic and financial alternatives, restructuring possibilities, and operating initiatives. The Company has engaged the investment banking firm of Goldman, Sachs & Co. to assist in these matters.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Statement Regarding Computation of Per Share Earnings

(b) Reports on Form 8-K

There were no events requiring a Report on Form 8-K during the six months ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRESTON CORPORATION
(Registrant)

Date: August 14, 1992

/S/ WILLIAM B. POTTER
William B. Potter
Chairman and President
(Authorized Executive Officer)

Date: August 14, 1992

/S/ H. A. TRUCKSESS, III
H. A. Trucksess, III
Vice President-Finance
(Chief Financial Officer)

Date: August 14, 1992

/S/ WILLIAM E. LYONS
William E. Lyons
Secretary and Treasurer
(Chief Accounting Officer)

Exhibit 11 Statement Regarding Computation of Per Share Earnings

Preston Corporation
Computation of Per Share Earnings
For the six months ended June 30

	1992	1991
	(In Thousands Except Share Amounts)	
Primary:		
Net income (loss) before cumulative effect of change in accounting principle	$(2,113)	$1,152
Cumulative effect of change in accounting principle	(837)	
Net income (loss)	$(2,950)	$1,152
Per share earnings (loss) before cumulative effect of change in accounting principle	$(0.37)	$0.20
Per share cumulative effect of change in accounting principle	$(0.14)	
Net income (loss) per share	$(0.51)	$0.20
Weighted average shares outstanding	5,758,701	5,758,701
Fully diluted:		
Net income (loss) before cumulative effect of change in accounting principle	$(2,113)	$1,152
Add: Interest on convertible subordinated debentures (net of applicable income taxes)	599	599
	$(1,514)	$1,751
Cumulative effect of change in accounting principle	(837)	
Net income (loss)	$(2,351)	$1,751
Per share earnings (loss) before cumulative effect of change in accounting principle (1)	$(0.37)	$0.20
Per share cumulative effect of change in accounting principle (1)	$(0.14)	
Net income (loss) per share (1)	$(0.51)	$0.20
Weighted average shares outstanding (2)	6,826,009	6,826,009

(1) Antidilutive. Accordingly, the primary earnings (loss) per share is presented.
(2) Assumes conversion of all outstanding convertible subordinated debentures and exercise of certain stock options.